



## UNEMPLOYMENT INSURANCE TAX RATE CALCULATION

During the last quarter of each year, the Unemployment Insurance tax rates for the next calendar year are determined. The calculation process begins in October, and Tax Rate Notices are mailed to each liable employer during the first week of January of the new tax year.

In Arizona, unemployment tax rates are calculated according to a "reserve ratio" experience rating system that provides individualized tax rates. Only new employers (other than successors) are automatically assigned a tax rate of 2.70% for a minimum of two calendar years.

All other active liable employers receive a calculated tax rate based on their unique "experience" history:

- the amount of taxes the employer has paid timely,
- the amount of unemployment benefits paid to former employees and charged to the employer's account,
- the average size of the employer's annual taxable payroll, and
- the overall solvency of the Unemployment Insurance Trust Fund from which benefits are paid.

The solvency of the trust fund, and therefore the average employer tax rate depends on the total dollar amount of taxes paid by employers offset by the total dollar amount of unemployment benefits paid to claimants.

The trust fund is used exclusively to pay Unemployment Insurance benefits to eligible unemployed claimants.

## VOLUNTARY TAX PAYMENTS

Employers will receive their Tax Rate Notices in early January 2003. The notices detail the specific data used to calculate individual employer rates for the new year.

After receiving the notice, employers can act to reduce their assigned unemployment tax rate by making a "Voluntary Payment". The notice explains how much an employer can "voluntarily" pay to reduce that tax rate.

It is important to read the rate notice carefully and follow the instructions on the reverse side to determine whether or not making a voluntary payment would be beneficial.

**It may not always be advantageous to make an extra payment to obtain a lower rate if the amount of the required voluntary payment would be more than the savings derived by paying at the lower rate.**

*A voluntary payment submitted to reduce your tax rate **is not** in lieu of any taxes due.*

More information on voluntary payments is available on the Employment Security Administration UI Tax website at: [www.de.state.az.us/esa/uitax/taxvp.asp](http://www.de.state.az.us/esa/uitax/taxvp.asp)

If you need help in evaluating whether a voluntary payment could save you money, please call the Experience Rating Unit at (602) 248-9101 EXT 5501.

**A VOLUNTARY PAYMENT MUST BE POSTMARKED NO LATER THAN JANUARY 31ST OF THE TAX YEAR FOR WHICH THE NOTICE IS ISSUED.**

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Arizona has experienced impressive business growth during the past decade! By June 30, 2002, Arizona had grown to 112,501 active employer accounts compared to 81,079 active employers as of June 30, 1992.

### ***BENEFIT CHARGES AND YOUR FUTURE TAX RATE***

When a former employee files for unemployment insurance benefits, and your unemployment insurance account is charged, the end result could be an increase in your tax rate for the coming year.

After an individual has filed a claim, you are sent a notice (form UB-110 "Notice to Employer") informing you that a former employee has filed for unemployment insurance benefits. If the claimant separated from your employ for any reason other than a lack of work (layoff), the notice gives you the opportunity to protest charges to your account. Relief of charges does not apply to non-profit, governmental agencies, and Indian tribes that have chosen to make payments on a claim-by-claim basis (called "reimbursable employers") instead of paying taxes.

It is important that you complete and return the "Notice to Employer" form within ten (10) working days if you wish to protest payment of benefits and charges to your account. **If you do not return this form, and the claimant is found eligible for benefits, your account will be charged and no further appeal rights will be provided.**

### ***APPEALS CLOCK DOES NOT KEEP TICKING!***

Nothing lasts forever. This cliché is especially true for the time allowed to file an appeal after a determination or assessment is issued.

For the employer's protection, the law mandates a 15-day appeal period. The clock starts ticking on the date postmarked on the envelope in which the determination or assessment was mailed to the employer. Fifteen calendar days later the clock stops ticking and all legal right to review is lost!

An appeal is a valuable legal right. In most cases, the filing of an appeal equates to a referee blowing a whistle for a time-out. The clock stops. In the Unemployment Insurance Tax system, an appeal signals that the employer wants a reconsideration, rate recalculation, reassessment, or reclassification.

However, such "re-do's" cannot occur unless the employer takes the time to write and mail or fax their appeal. An appeal **MUST** be made in writing and filed within the time limits allowed by law.

For more information on protecting your rights as an employer, please review the section about appeals on the Employment Security Administration UI Tax website at: [www.de.state.az.us/esa/uitax/uihome.asp](http://www.de.state.az.us/esa/uitax/uihome.asp) Look for "UI Tax Appeals" under "Employer Information".

### ***FRAUD IS EXPENSIVE***

Unemployment Insurance fraud costs employers directly in the form of higher taxes! When a claimant receives unemployment benefits but continues to work, it cheats every employer who is forced to pay for those benefits with higher taxes.

During the second quarter of 2002, there were 98 individuals convicted for unemployment benefits fraud. Collectively, they received the following sentences:

- Nine years, three months total jail time
- \$293,744 in fines/restitution (\$1,158,700 YTD)
- 203.33 years probation
- 7,290 hours Community Service

Employers can help by reporting suspected fraud to the **DES Office of Special Investigations Fraud Hotline at 1-800-251-2436**. Callers can remain anonymous. However, it helps OSI investigators if callers provide as many details as possible, such as the suspect's name, Social Security Number, place of work, type of work, amounts earned and similar information. If contacted by an OSI investigator during an investigation, it is also helpful if the employer responds promptly and courteously with the information the investigator has requested. **Your help is essential to cut down on expensive fraudulent benefit claims.**

Equal Employment Opportunity Employer/Program

Under the Americans with Disabilities Act, the Department must make a reasonable accommodation to allow a person with a disability to take part in a program, service, or activity. For example, this means that if necessary, the Department must provide sign language interpreters for people who are deaf, a wheelchair accessible location, or enlarged print materials. It also means that the Department will take any other reasonable action that allows you to take part in and understand a program or activity, including making reasonable changes to an activity. If you believe that you will not be able to understand or take part in a program or activity because of your disability, please let us know your disability needs in advance if at all possible. Please contact your local Unemployment Insurance office.